

Connacher Oil and Gas Limited Announces Termination of CCAA Plan and Intention to Move Forward with Credit Bid Transaction

16.02.2019 | [CNW](#)

CALGARY, Feb. 16, 2019 - [Connacher Oil and Gas Ltd.](#) ("Connacher" or the "Company") previously announced that it had entered into a CCAA Acquisition and Plan Sponsorship Agreement with East River Oil and Gas Ltd. ("Plan Sponsor") dated August 2, 2018, as amended (the "Plan Sponsorship Agreement") and entered into a Purchase and Sale Agreement with the Plan Sponsor also dated August 2, 2018, as amended (the "Purchase Agreement", and, together with the Plan Sponsorship Agreement, the "Transaction Agreements"). On October 4, 2018, Connacher announced that the Amended and Restated Plan of Compromise and Arrangement (the "CCAA Plan") contemplated by the Plan Sponsorship Agreement was approved by the requisite majorities of Connacher's affected creditors and by the Court of Queen's Bench of Alberta (the "Court") overseeing Connacher's proceeding under the Companies' Creditors Arrangement Act ("CCAA").

The Plan Sponsor had previously exercised its rights to extend the "Outside Date" under the Plan Sponsorship Agreement and the "Outside Date for Closing" under the Purchase Agreement to December 15, 2018 in order to provide it with additional time to obtain the necessary regulatory approvals in China (the "PRC Approvals") to consummate the transaction. As announced on December 18, 2018, Connacher with the consent of the Consenting First Lien Lenders (as defined in the Plan Sponsorship Agreement) and in consultation with Ernst & Young Inc. in its capacity as Monitor (the "Monitor"), agreed to a further request by the Plan Sponsor to extend the applicable outside dates to January 31, 2019, as PRC Approvals had still not been obtained by the Plan Sponsor.

The Plan Sponsor advised Connacher that it would not obtain the necessary PRC Approvals by January 31, 2019 and requested a further extension of the Outside Date and Outside Date for Closing.

As previously announced, on February 1, 2019, the Company and the Plan Sponsor entered into an agreement (the "Outside Date Amending Agreement No. 2") which further amended the Outside Date and the Outside Date for Closing in each case to March 29, 2019 (the "Amended Outside Date") conditional upon the Plan Sponsor delivering to the Monitor, in trust for the Company, a further deposit in the amount of C\$2,000,000 by February 15, 2019 which would be treated as an "Additional Deposit" pursuant to the terms of the Plan Sponsorship Agreement and the Purchase Agreement. Under the Outside Date Amending Agreement No. 2, if the C\$2,000,000 Additional Deposit was not received by February 15, 2019, the Amended Outside Date would be deemed to be February 15, 2019.

Under the Outside Date Amending Agreement No. 2, the Plan Sponsor also agreed that, among other things, the existing Deposit and Additional Deposit (which total C\$13,500,000) previously paid by the Plan Sponsor pursuant to the Plan Sponsorship Agreement and Purchase Agreement were immediately forfeited to the Company for the account of the Company, provided that in the event that the transactions contemplated by the Plan Sponsorship Agreement or, if applicable, the Purchase Agreement are consummated in accordance with their terms and conditions by the Amended Outside Date, the Deposit and the Additional Deposit will be credited to the Plan Sponsored Funds or the Purchase Price, as applicable, to be paid by the Plan Sponsor under the Plan Sponsorship Agreement or Purchase Agreement, respectively.

The Plan Sponsor did not pay the C\$2,000,000 Additional Deposit by February 15, 2019 as required by the Outside Date Amending Agreement No. 2 and, as a result, the Amended Outside Date was deemed to be February 15, 2019. The Plan Sponsor was not able to consummate the transaction by such date.

With the consent of the Consenting First Lien Lenders and in consultation with the Monitor, Connacher has exercised its right to terminate the Plan Sponsorship Agreement pursuant to the terms of that agreement. The CCAA Plan and the Purchase Agreement have automatically terminated in accordance with their terms.

Connacher will now proceed to implement the pre-negotiated credit bid transaction (the "Credit Bid Transaction") agreed to in the Support Agreement dated March 19, 2018 entered into between Connacher and the first lien lenders holding in excess of 75% of the principal amount outstanding under Connacher's First Lien Credit Agreement dated May 23, 2014 (as amended) which was previously announced on March 28, 2018 (the "Support Agreement"). The key features of the Credit Bid Transaction include (i) assumption of Connacher's post-CCAA filing trade payables; (ii) offers of employment to all of Connacher's employees; (iii) entry into a new senior secured facility (the "Senior Secured Facility"); and (iv) distribution of shares and the obligations under the Senior Secured Facility to the existing first lien lenders on the terms set out in the Support Agreement and related exhibits. Connacher anticipates completing the Credit Bid Transaction, subject to the terms and conditions therein, in the next several months.

Merle Johnson, Connacher's Chief Executive Officer comments that "the Company is looking forward to moving to the next chapter in Connacher's history and emerging from CCAA protection with the full support of its stakeholders."

All inquiries regarding Connacher's CCAA proceedings should be directed to the Monitor, Ernst & Young Inc. The Monitor has established the following information hotline related to enquiries regarding the CCAA process, at 403-206-5650. In addition, a copy of the Support Agreement, Credit Bid Transaction purchase agreement and certain materials related thereto are available on the Monitor's website at www.ey.com/ca/connacheroilandgas and on SEDAR.

The Company does not intend to comment further regarding the CCAA process unless it is determined that further disclosure is appropriate or required by law.

Forward Looking Statements

This press release contains forward looking information including, but not limited to the transactions contemplated in the Credit Bid Transaction and the Support Agreement, the Company's CCAA proceeding; the Company's ability to manage its liquidity position and deploy the capital required to maintain existing reserve and production bases, fund maintenance capital, fund work capital requirements and meet contractual and other commitments; expectations regarding future commodity prices, foreign exchange rates, diluents blend ratio, transportation costs, and production and operating costs in future periods; expectations regarding sales and production, bitumen netbacks, general and administrative expenses, and capital expenditures in future periods; the Company's reserves; and general operational and financial performance in future periods.

Forward looking information is based on management's expectations regarding the implementation of the Credit Bid Transaction and the Support Agreement. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the approvals or other conditions required to successfully implement the Credit Bid Transaction may not be obtained or satisfied; that the Company may not be able to prevent third parties from obtaining court orders or approvals that are contrary to the Company's interests, risks relating to the future co-operation of the creditors of the Company, as well as the risks associated with conducting business in the oil and gas industry (e.g., operation risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of geological interpretations; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), risk of commodity price and foreign exchange rate fluctuations, risks associated with the impact of general economic conditions, risks and uncertainties associated with maintaining the necessary regulatory approvals and securing the financing to continue operations and increase production to levels previously achieved.

Although the Company believes that the expectations in such forward looking information are reasonable, there can be no assurance that such expectations shall prove to be correct. Any forward looking information included in this press release is expressly qualified in its entirety by this cautionary statement. Any forward looking information included herein is made as of the date of this press release and the Company assumes no obligation to update or revise any forward looking information to reflect new events or circumstances, except as required by law.

SOURCE [Connacher Oil and Gas Ltd.](#)

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/319561--Connacher-Oil-and-Gas-Limited-Announces-Termination-of-CCAA-Plan-and-Intention-to-Move-Forward-with-Credi>

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